

# GEORGIA REVENUE QUARTERLY



Roy E. Barnes, Governor

T. Jerry Jackson, Commissioner

## Georgia's College Savings Plan Available Early Next Year

If all goes according to plan, parents or guardians should be able to open investment accounts in Georgia's Higher Education Savings Plan in early 2002.

Governor Barnes signed legislation creating the state's version of a Section 529 plan on March 23.

Professional fund managers will manage the investment accounts and contributors will be able to select from several investment options.

Federal and state taxes on an individual's earnings in the fund will be deferred or exempted and a portion of the contributions will be deductible for Georgia income tax purposes, if certain requirements are met.

Parents or guardians filing jointly, with a Federal adjusted gross income up to \$100,000 (\$50,000 for single filers) can take a deduction of up to \$2,000 from their Georgia income tax, if they itemize their deductions.

The tax deduction is reduced by \$400 for each \$1,000 of income above \$100,000 adjusted gross income for taxpayers filing jointly (\$50,000 for single filers).

Total contributions per beneficiary can not exceed \$120,000. The annual contribution limit is \$8,000 per beneficiary.

The program provides a catch-up provision that allows parents with children age 10 years and older to contribute up to \$16,000 per year for the first three years of the plan's operation.

Qualified withdrawals, used for qualified higher education expenses, are exempt from federal and state taxes. Qualified expenses include tuition, room and board, books, supplies and fees.

Unqualified withdrawals are subject to

Georgia and Federal income tax, and a 10 percent penalty.

Some other aspects of Georgia's Section 529 plan:

- The parent or guardian establishing the account maintains control. With few exceptions, the named beneficiary has no rights to the funds. The donor determines when withdrawals are taken and for what purpose.

- Individuals who are thinking of going back to college or graduate school can set up a plan for themselves as the named beneficiary.

- The named beneficiary can be changed to a new beneficiary who is a member of the former beneficiary's family to keep the account going and avoid (or at least delay) taking non-qualified withdrawals when the original beneficiary does not need the funds.

- Contributions and earnings withdrawn within three years from the date the account was established are considered unqualified withdrawals.

- Both residents and nonresidents of Georgia can open accounts for a qualified beneficiary. Beneficiaries can also be either a resident or nonresident.

A board of directors will govern Georgia's Section 529 plan.

Its members are: the Governor as chair, the Chancellor of Regents of the University System of Georgia, the commissioner of Technical and Adult Education, the executive director of the Georgia Student Finance Commission, the state auditor, the director of the Governor's Office of Planning and Budget and the state revenue commissioner.

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## State's Housing Tax Credit Equals Federal Credit

Governor Barnes signed the Georgia Housing Tax Credit into law on April 27, 2000.

The GHTC is a credit against Georgia income tax liability for the owner of an affordable housing development that has received an allocation for a federal Low-Income Housing Credit.

The GHTC is an amount equal to the federal housing credit and is automatically issued to owners of projects placed in service after Jan. 1, 2001.

The Georgia Department of Community Affairs administers the program and the Georgia Housing and Finance Authority is the manager.

Because the statute is very clear regarding the structure and function of the GHTC, no specific revenue regulations are planned. However, the DCA and DOR stress the following points:

- There is no State minimum percentage of a general partner or limited partner's interest in the ownership entity, as long as the partner would be recognized under federal tax law.

- Although O.C.G.A. Section 48-7-29.4 stipulates that an event of recapture of the federal Housing Credit would automatically trigger recapture of the GHTC, transfer of a "federal investor's" interest would not impact the "state investor's" interest or the GHTC as long as the transfer is completed in accordance with all applicable federal laws and regulations (e.g., posting a surety bond or treasury securities) so as not to cause recapture of the federal housing credit. Similarly, transfer of a "state investors" interest would not impact the "fed-

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# Commissioner's Letter

In the aftermath of the September 11th tragedy, the Georgia Department of Revenue stands ready to provide quick administrative tax assistance to taxpayers and businesses affected by the terrorist attacks. If you require assistance, please contact the appropriate DOR division or refer to the Department's web site for information on specific assistance available.

We have now completed approximately 75 percent of our move to Century Center. The remaining portions of the Compliance Division and the Sales and Use Tax Division will be moving some time in December to complete the process. Should you have an



*Commissioner Jackson*

occasion to visit our new facility, you'll find easy accessibility off of I-85 at Clairmont Road and an enhanced customer service area which will provide centralized, "one-stop" service to the public.

For convenience, major DOR telephone lines will be automatically forwarded to the new location through the end of the year. A list of new DOR telephone numbers at the new location may be obtained from our web site.

Later this year, the Revenue Department's Morrow Regional Office will be relocating to its new offices at Tradeport III in North Clayton County along with the Department's Property Tax Division.

Relocating the Morrow office, which also services Fulton County, will improve accessibility to its customers from the northern portion of the metro region.

The employees of the Department of Revenue extend our deepest sympathies and prayers to the families, friends and countless others affected by the heinous attacks against our nation. God Bless America!

**T. Jerry Jackson**

## DOR's Electronic Funds Transfer Program

Georgia taxpayers have been able to electronically transfer tax payments since Jan. 1, 1993.

Georgia Law (O.C.G.A. 48-2-32) allows the Revenue Commissioner to require any person or business owing more than \$10,000 to the DOR to pay by electronic funds transfer.

Currently, sales tax, withholding tax, motor fuel distributor tax, and corporate estimated income tax are mandated for EFT Registration. The monthly threshold for sales tax is \$15,000. For withholding and motor fuel, the monthly threshold is \$10,000. The threshold for corporate quarterly estimated tax is \$10,000.

The EFT program is a safe and efficient means of making payments using techniques that banks and businesses have used for years.

Payments move almost instantaneously from a taxpayer's account to the Revenue Department's account, ensuring payments are received by the due date.

In the future individual estimated income tax will be implemented.

Georgia allows voluntary participation in the EFT program on a case-by-case basis. Written requests should be mailed to Georgia Department of Revenue, EFT Section, 1800 Century Blvd. NE, Suite 17235, Atlanta, GA 30345.

Electronic Funds Transfer by ACH is the only acceptable means of payment. Taxpayers must make tax payments by EFT after registering with the EFT Section.

Fedwire transfers are not accepted by the DOR and unauthorized check payments may be subject to an EFT noncompliance penalty.

For additional information call 404-417-2246 or 800-659-1855. Information is also available on the Internet at [www.gatax.org](http://www.gatax.org).

## Taxpayers Donate \$736,387 Through Return Checkoffs

The Department of Revenue recently sent checks totaling \$736,387.50 to agencies representing the contribution checkoffs for the 2000 tax-filing year.

Checks were issued for the following checkoffs:

- \$296,780.18 Georgia Nongame-Endangered Wildlife Conservation Fund.
- \$228,614.07 Children and Elderly In Need.
- \$210,993.25 Breast Cancer, Prostate Cancer and Ovarian Cancer Research Program.

Georgia taxpayers can elect to donate a portion of their refund or add a donation to their balance due when they fill out their annual income tax return.

## Revenue Department Clarifies Corporation In-State Status

Effective January 1, 2002, corporations will be considered to own property or doing business in Georgia whenever the corporation is a limited or general partner in a partnership owning or doing business in the state.

The income earned by a corporate limited partner is subject to Georgia taxation and the withholding requirements on distributions that are paid or credited nonresidents.

The affected regulations are 560-7-7-.03, 560-7-3-.08 and 560-7-8-.34. They can be viewed by clicking the "New Regulations" link at the Department's Income Tax Division home page [www2.state.ga.us/departments/dor/inctax/](http://www2.state.ga.us/departments/dor/inctax/).

## College Savings Plan Continued from page 1

Also serving on the board will be three directors appointed and serving at the pleasure of the Governor and the director of the Office of Treasury and Fiscal Services who shall act as administrative officer of the board.

More information about Georgia's Higher Education Savings Plan is available on the web at [www2.state.ga.us/OTFS](http://www2.state.ga.us/OTFS).

## ***IRS Warning Social Security Recipients To Clear Up Tax Debts***

The Internal Revenue Service has begun issuing notices to Social Security recipients who have overdue tax debts.

The notices encourage Social Security recipients to resolve any long-term unpaid federal tax bills now to avoid having their benefit payments reduced next year.

To prevent having their benefits reduced, Social Security recipients with overdue tax debts should contact the IRS at 800-829-7650.

Those who have arranged to pay their debts through installment agreements or other IRS programs will not be affected by this program and do not need to contact the IRS.

Social Security recipient's payments could be reduced by 15 percent next year if their tax debts are not resolved.

About 232,000 of the nearly 45 million people who receive Social Security payments owe federal taxes from earlier years.

More information about this notice is available on line at [www.irs.gov](http://www.irs.gov), under "IRS Newsstand."

### **Housing Tax Credit Continued from page 1**

eral investor's" interest or the federal housing credit. Also, there is no requirement for posting a surety bond, or other similar mechanism, on the State level for transferring the "state investor's" interest.

- The GHTC is claimed by filing a copy of the Form(s) IRS-8609, along with all applicable partnership documentation tracing the ownership entity to the investor concerned, with the investor's Georgia income tax return. Georgia's form is currently being designed.

- DCA and DOR reserve the right, independently or jointly, to issue in the future any such policies, procedures, rulings, or regulations concerning the GHTC as circumstances may warrant. Legislative changes and adjustments may also occur in the future.

Questions regarding the GHTC should be directed to Fenice Taylor at DCA at 404-679-0647 or Anthony Jackson at DOR at 404-656-4171.

## **New Sales And Use Tax Regulations Adopted**

The Department of Revenue recently adopted the following Sales and Use Tax Revenue Regulations. Copies of the rules and forms may be downloaded from the "Hot Topics" Section of the Department's Website's Homepage at [www.gatax.org](http://www.gatax.org).

- **Revenue Rule 560-12-2-.108 entitled *Bullion, Coins and Currency*** implements the sales and use tax exemption for the retail sale of bullion, coins and currency provided for under O.C.G.A. §§ 48-8-3(66) and 48-8-3(67). The rule provides the definitions for the specific terms and conditions for the exemption.

- **Revenue Rule 560-12-1-.36, entitled *Pro Rata Allocation of Unidentifiable Sales and Use Tax Proceeds*** implements a biannual schedule and procedures for allocating unidentifiable sales and use tax proceeds under O.C.G.A. § 48-8-67.

- **Revenue Rule 560-12-2-.62, entitled *Machinery, Manufacturing Amended*** incorporates the new sales and use tax exemption provisions on replacement or repair parts as provided for in O.C.G.A. § 48-8-3(34.3) and defines the terms and conditions for the exemption. The rule also establishes a new Certificate of Exemption (Form ST-5M) that is specifically designed for use by manufacturers in Georgia.

- **Revenue Rule 560-12-2-.107, entitled *Computer Equipment*** implements the provisions for the computer equipment sales and use tax exemption provided for under O.C.G.A. § 48-8-3(68) and defines the terms and conditions for the exemption. The rule provides definitions for specific terms used in the statute and explains the application and approval process.

### **Consumer Use Tax Form Available**

The Department of Revenue Sales and Use Tax Division has developed a consumer use tax reporting form.

The form provides an easy way for consumers to report Georgia Use Tax on purchases of tangible personal property made through the Internet, mail order or an out of state company, when Georgia sales tax is not collected by the seller.

Questions regarding the form or consumer use tax should be directed to one of DOR's regional offices or the Sales and Use Tax Division at 404-656-4065.

### **DOR Adopts Federal Standard For Wage, Income Reporting**

The Georgia Department of Revenue has adopted the MMREF-1 format, May 2001 version, used by the Federal government, for tax year 2001 wage and income statement reporting.

DOR will continue to accept magnetic media filing format used for reporting years 1999 and 2000.

Employers required to file wage and income statements by magnetic media may submit Georgia wage and income information using the MMREF-1 format. The only stipulation to the MMREF-1 format is the RS record for state income tax is required.

DOR accepts the same diskette and cartridge sizes as the Federal government. However, DOR no longer accepts round tape.

DOR does not accept filing by CD-ROM, OWRS, EDT, or VAN. DOR also does not accept compressed files on magnetic tapes/cartridges.

For more information about this visit DOR's web site at [www.gatax.org](http://www.gatax.org) or contact the Income Tax Division.

*The Revenue Quarterly is published by the Georgia Department of Revenue. Comments, suggestions and mailing list additions or corrections should be addressed to the Public Information Office, 401 Trinity-Washington Building, Atlanta, GA 30334 or e-mail to [cwwilley@gw.rev.state.ga.us](mailto:cwwilley@gw.rev.state.ga.us).*

Georgia Department of Revenue  
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## 1st Quarter Revenue Collections Down 6.3 Percent

**S**tate Revenue Commissioner T. Jerry Jackson announced on Oct. 9 that revenue collections for the first quarter of fiscal year 2002 totaled \$3,179,388,656.27 compared to \$3,392,202,056.72 for the first quarter in FY 2001, a decrease of \$212,813,400.45. The percentage decrease for the quarter was 6.3 percent.

Net revenue collections for the month of September totaled \$1,101,613,262.33 compared to \$1,178,209,775.82 for last September, a decrease of \$76,596,513.49. The percentage decrease for the month was 6.5 percent.

### FY 2002 Through September Compared to FY 2001 Through September

Revenue Source	1st Quarter Collections	Difference	Percent
*SALES & USE	1,212,179,108.56 <b>down</b>	(77,755,940.00)	-6.0%
MOTOR FUEL	118,285,741.08 <b>up</b>	1,837,501.61	1.6%
INDIVIDUAL INCOME	1,620,507,930.49 <b>down</b>	(35,097,721.65)	-2.1%
CORPORATE INCOME	76,302,689.17 <b>down</b>	(108,229,763.92)	-58.7%
CIGAR & CIGARETTE	21,915,932.53 <b>up</b>	10,422,778.61	90.7%
MOTOR VEHICLE	46,071,573.74 <b>up</b>	2,300,693.87	5.3%
LIQUOR	6,318,991.70 <b>down</b>	(2,312,901.54)	-26.8%
MALT BEVERAGE	15,176,311.62 <b>down</b>	(368,477.30)	-2.4%
ESTATE	27,873,642.87 <b>down</b>	(13,733,036.88)	-33.0%
PROPERTY	6,257,713.10 <b>up</b>	2,176,623.98	53.3%
WINE	3,228,441.06 <b>down</b>	(491,730.34)	-13.2%
MISCELLANEOUS	25,270,580.35 <b>up</b>	8,438,573.11	50.1

\*Includes 2nd Motor Fuel Tax (3 months) - \$56,442,321.93

**[Visit DOR's Website At www.gatax.org](http://www.gatax.org)**